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FOREIGN SERVICE DESPATCH

FROM: AMEMBASSY, GUATEMALA Desp. No. 202

TO: The Dept. of State, Washington

SUBJECT: Joint Weeka No. 36 for State, Army and Air Departments from SA.

September 10, 1954

SUMMARY

During the past week, tension relaxed in Guatemala as Lieutenant Colonel Carlos CASTILLO Armas, newly elevated to the rank of President, proceeded undramatically with plans to call elections for a Constituent Assembly at an early date and to reorganize his Cabinet. His political support was, for the moment, tending to consolidate. The Army accepted his investiture as single head of government on September 2 without incident and the professional Officers' Corps appeared to be taking a watchful but not hostile attitude. The anti-Communist politicians, though still suspicious of one another, proceeded with preparations for a "National Anti-Communist Front" and appeared more disposed to collaborate with the new President. Castillo himself sought to steer a middle-of-the-road, conciliatory course among his followers, telling his September 7 press conference that his government was "neither of the right or the left." Before his regime could be said to have stability, however, he had still to tackle the difficult problems of undertaking a more sane and effective anti-Communist program, winning over the Army, reducing unemployment, and reviving the country's depressed economy.

Meanwhile, the thorny problem of the 770 persons who took asylum in Latin American missions following Arbenz' fall in June was virtually solved by the Guatemalan Government's expedient of granting safe-conducts to everyone and allowing them to leave the country. By September 10, over 500 asylees had departed for other Latin American countries, including ex-President Arbenz and top Communist leaders like José Manuel FORTUNY, Víctor Manuel GUTIERREZ, and Carlos Manuel PELLECER, and former high officials such as Guillermo TORIELLO, the ex-Foreign Minister. Most of the rest of the persons in asylum were expected to be out of the country by the end of the month.

DOMESTIC AFFAIRS

First Week of Castillo's Presidency Calm: In the first ten days of Castillo's rule as President, tension in Guatemala gradually relaxed and the country appeared to be waiting sympathetically to see what he could do, as the immediate danger of a move to overthrow him seemed to have passed. The anti-clerical Liberal faction, which had at first been outraged at the dissolution of the Junta and Castillo's assumption of the Presidency, took a calmer look at the situation and

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two of the factions' spokesmen told the Embassy that their group would cooperate with the government for at least six months to give Castillo "a chance." They had come to believe that after all Castillo himself had a Liberal orientation and perhaps would not allow himself to be pushed too far by the clerical, Conservative group. In another section, the anti-Communist parties represented on the Coordinating Committee of the new Frente Anticomunista Nacional (FAN) made enough progress, despite continuing internal jealousies and factionalism, to schedule the signing of a formal pact of alliance between the component parties. Anti-Communist labor leaders, who had come to attribute the former Junta's rightist "anti-labor" view to Colonel MONZON, appeared more optimistic with Castillo in sole control. In the military, while there was agreement among the Embassy's observers that Castillo had scarcely any devoted following, the officers appeared to be taking a watchful but not hostile attitude toward the President and for the first time in weeks there were no rumors of incipient plots against the regime.

The week was thus something of a period of good feeling, but the underlying problems confronting Castillo did not evaporate. The unemployment problem and attendant restiveness in the working class barrios was still there: José GARCIA Bauer, the Social Christian labor leader, now estimates that urban and rural unemployment stands around 22,000, up from a level of 3,000 during the last days of the Arbenz regime in June. While there are no means of verifying this estimate--it is somewhat higher than others--there was no question but that a dangerous situation existed in this area and that Castillo's popularity could drain away as a consequence. Likewise, the trends toward consolidation of the anti-Communist movement was not such that the risk of its falling apart was past. At least some of the groups participating in the FAN were less spurred by a patriotic desire to rally around the anti-Communist President than by a desire to use the FAN itself as an instrument to swallow up their rivals. The explosive Church question, probably the greatest divisive factor among the anti-Communists, was yet to be faced.

Plans for Constituent Assembly: For Castillo himself, the week was one of planning rather than of action. He told the press on September 7 that the date had not yet been set for the Constituent Assembly elections he had promised and that the Electoral Law had first to be changed. There were apparently reliable reports that the current thinking in Government circles was to announce the elections very soon and to hold them quickly. It was planned to make substantial changes in voting procedures and to enter a single FAN slate in order to minimize the risk that the electoral campaign might further divide the anti-Communists. The Constituent Assembly would then elect Castillo President for a fixed term and vest him with the prestige Constitutionally at home and abroad.

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Cabinet Changes Scheduled for After September 15: At his September 7 press conference, the President announced that the Cabinet would not be reorganized until after the observance of Guatemala's Independence Day on September 15. There is apparently widespread expectation among older political figures and businessmen that he will appoint a high-caliber Cabinet capable of bringing order into the current governmental confusion, but it is understood that he is meeting with some reluctance to serve on the part of men who have been approached.

Expropriation of Property of Arbenz Regime Figures Decreed: Almost as a reminder that the government's ineptness has not been overcome, the Castillo Administration this week issued a decree expropriating the property of all who had "unduly" enriched themselves through the Arévalo and Arbenz Administrations, excepting only that property on which the owners could clearly overcome the presumption that it was improperly acquired. The decree was so loosely drawn that it appears certain to create more problems than it solves. The first list of persons affected, containing 38 names, included ex-Presidents Arévalo and Arbenz, prominent officials in their regimes and, somewhat inexplicably, only seven of the eleven members of the Communist Political Committee. However, it also included the names of Charles SIMMONS, Arbenz' brother-in-law who is a U.S. citizen, and other foreigners who are likely to have recourse to their governments, and of Guatemalan citizens concerning those "undue" enrichments the Government appears to have very little proof and who are likely to protest and appeal to the President. (Though the anti-Communists vociferously objected to the provisions of Arbenz' Agrarian Reform Law banning recourse to the courts, the anti-Communist Government put the same provision in this decree.) The measure has made a bad impression in educated circles and drawn adverse press criticism.

FOREIGN AFFAIRS

Problem of Asylum Near Liquidation: The internal security and foreign relations problem which the Guatemalan Government has faced since some 770 persons scuttled into foreign missions after the fall of the Arbenz regime over two months ago was near liquidation this week as 500 or more of those remaining in the missions left the country with Guatemalan safeconducts. The Guatemalan airline AVIATECA shuttled 200 or more persons to Mexico, five Argentine planes carried off 120 to Buenos Aires, an Ecuadoran plane took away a load, and the scheduled flights daily transported groups out of the country, while special planes from Brazil and Costa Rica were scheduled to arrive shortly.

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The scattering of the officials of the Arbenz regime and of Guatemalan and foreign Communists over the hemisphere promises to be complete. Ex-President Arbenz and his party left for Mexico on the night of September 9-10 while ex-Foreign Minister Toriello and other former high officials left earlier in the week. The Communist leadership was not being retained: José Manuel Fortuny left with Arbenz; Víctor Manuel Gutiérrez and Carlos Manuel Pellecer flew off to Argentina and José Alberto CARDOZA and César MONTENEGRO Paniagua to Mexico. Safeconducts for the rest had been granted. The press here reported that Pellecer would proceed from Argentina to Czechoslovakia.

LABOR

Reorganization of Unions Progresses: Somewhat encouraged by President Castillo's renewed pledge of support of non-Communist unions in his September 2 speech and by the previous resignation of Colonel Monzón from the Junta, the anti-Communist labor leaders this week proceeded with the reorganization of unions, scheduling for the second and third weeks in September elections for union reorganization committees at Pan American World Airways, the San José Port workers; the Tabacalera Nacional and the printers union Artes Graficas. While there are still complaints about governmental and employer attitudes toward union reorganization, José GARCIA Bauer, leader of the Social Christian FAS which is acting more vigorously than Villatoro's CNRS, appears more convinced that there is an opportunity for a non-Communist labor movement. Among other things, he has stated that the United Fruit Company and the U.S.-owned Empresa Eléctrica (though not the U.S.-owned IRCA Railroad) have been following good labor practices.

PSYCHOLOGICAL

Propaganda Office Gets Anti-Communist Program Underway: In an effort to spread the story of Communism under the Arbenz regime in Guatemala and abroad, the Office of Publicity and Propaganda of the Presidency got underway in recent weeks an anti-Communist publicity program, one feature of which was the circulation of a six-minute documentary film entitled "Después Descubrimos la Verdad". ("We Learned the Truth Later"). Produced by the Committee for National Defense Against Communism, the picture demonstrated the extent to which Communist propaganda was being disseminated under the Arbenz regime. During the week it was exhibited in local theaters, while one copy was being shown throughout South America by a traveling representative of the Foreign Ministry, Lic. Virgilio RODRIGUEZ Beteta. The Office also arranged for foreign newsmen to come to Guatemala to obtain first-hand reports, this program beginning with a visit by eight Salvadoran newspapermen who were official guests of the Government. In addition, anti-Communist folders have been printed for local and Latin American distribution.

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These first efforts, however, were uneven and amateurish. The Office's effectiveness was especially hampered by immature direction, lack of funds, and mediocre employees. The current budget provided for a salary of $350 per month for the chief of the Office and $200 a month as top salary for publicity writers. In addition, since the Office of Publicity was one of the Government agencies thoroughly infiltrated by the Communists under the Arbenz regime, there has been an almost complete turnover in personnel. It may thus be some time before Guatemala's anti-Communist Government can put its story across in the hemisphere unaided.

MILITARY

Castillo Promises Military Increased Benefits: In an obvious effort to convince the professional Army that his government could more than replace the benefits officers enjoyed under the Arbenz regime, President Castillo devoted an extensive passage in his September 2 speech to his program for the military. His more important promises--which, if fulfilled, would out-bid Arbenz' bribing of the Army--were for improved financial security for officers, better medical service, construction of military housing, better training and more modern weapons and the creation of a modern reserve force.

These moves reflected an apparently keen awareness on the part of Castillo, himself a professional officer, that he will have to satisfy the Army if he is to remain in power. This attitude was also indicated by a reliable report that when one of his young student secretaries spoke of a high military appointment, Castillo told him sharply not to meddle in the matter, that the last thing he wanted was to offend the Army by having such persons mix in military appointments.

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